

Durham Convention Center Authority meeting

Tuesday, February 17, 2009

8:00 am

The meeting was called to order at 8:00am with the following members present:

Present: Rob VanDewoestine, Rosemarie Kitchin, Patrick Byker, Al Bass, Robert Sinclair, and Billy Ruffin

Owner's representation: Sharon DeShazo, Drew Cummings, Harmon Crutchfield and Karmisha Wallace.

Management Company: Richard Brezinski, Alfrado Garner and Jamie Frydlo.

Motion of approval for January 27, 2009 minutes moved by Rosemarie Kitchin, seconded by Patrick Byker, voted and agreed upon by all.

Action Items for March

- Need Phase II final scope of work and how it will be implemented.
- Status of HEERY's design contract.
- Meeting to discuss fixed and variable costs listed in the operating budget.

Meeting Details

In reviewing the 2008/09 projected budget, Mr. Crutchfield referenced the forecast in the data distributed to the Authority differed from the forecast provided on the Friday, February 13 meeting. Mr. Garner then provided a spread sheet with the correct amount of \$1,287,362. This gives an end-of-year projection of \$376,332 over budget which is lower than the \$436,000 shortfall forecast at the January Authority meeting.

The proposed 2009/10 budget shows a 4.73% increased assumption in sales. The Management Company has exercised tight control over all expenses. They have reduced hourly employees by 10%, and eight management employees to achieve two sales positions in an effort to decrease expenses. They have implemented cross training for staff which eliminates the need for contract labor. The net deficit proposed in the 2009/10 budget of \$999,338 is projected to decrease by \$288,058 from this year with a \$200,527 decrease in expenses.

The Authority asked again if Shaner would have an interest in ownership of the Convention Center and thus operate the facility on equal footing with other facilities with large meeting rooms such as the Washington Duke.

The Authority discussed Shaner's request to increase the 2008/09 budget subsidy by \$362,000. Rosemarie Kitchen made a motion, seconded by Patrick Byker voted and approved by all to discuss the budget shortfall based on shared responsibility between Shaner and the Owners. This discussion will be initiated by the City and County owner's representatives.

Process for Authority name change amendment:

Language for the third amendment added to the interlocal agreement officially changing the name of the Durham Civic Center Authority to reflect Durham Convention Center Authority is complete. Mr. Cummings and Ms. Wallace will be moving this agenda forward for approval by both City and County Officials.

Signage update:

Completion of convention center and downtown signs was executed for the February 17 name change rollout ceremony.

Capital Project Update January 2009:

Current Project

The construction phase was completed within budget and on schedule including an additional \$ 316,000.00 for the pre-function corridor and folding partitions in the original ballrooms. Subsequent to completion and occupation an unforeseen irregularity in the incoming electrical supply and a request for new ballroom thermostats added a further \$24,000.00 of additional work to the project. This delayed the project close-out phase by twelve weeks but additional CM@R overhead costs were avoided. Duke Energy continues to track the switch over from their transfer stations and advise the project team on the size of line voltage fluctuations. The Architect/Engineer's report January 19 on their investigation of the freeze-failure of one of the four new AHU's (and subsequent flooding of part of the facility) was unable to clearly ascribe fault for the incident. The CM@R paid the recovery costs. All four AHU's have been checked and adjusted to maximize frost protection, in light of this occurrence and of the recent low temperatures.

A meeting was held Wednesday, February 11 to further discuss issues relating to the HVAC systems. The discussion included a general overview of the HVAC design, the power quality/line reactor issue, RTU#3 unit coil freeze issue, and the equipment alarms. The design team is investigating the suppliers to eliminate future liability. Additional training for the controls was provided by Champion Systems to show how the system is integrated and the responsibilities. Mr. Brezinski and Ms. DeShazo will meet to finalize documented scheduled maintenance for the HVAC equipment.

Punch-list

The punch-list work is almost complete. The usual schedule for punch-work was extended to allow the users to take immediate occupation and the CM@R's agreement to work under the access restrictions imposed by Shaner's booking schedule. 180 items were identified, of which the following are incomplete;

- CFL lamps failing in the grand ballrooms. The A/E and CM@R are continuing to liaise with the lamp, ballast and dimmer suppliers to resolve. Shaner continues to investigate which lights are problematic.
- Rework to the north wall of the Grand Ballroom has been completed.

FY 09/10 Project

A preliminary meeting was held with the stakeholders to develop the project scope based on the un-funded list (appendix B) from the current project. The Architect/Engineer issued a proposed fee amendment for the follow-on FY 09/10 project on October 15 but

City General Services Department have yet to review or schedule for a City Council agenda cycle. Following review of the Architect/Engineer's proposal, the CM@R will also submit their cost proposal for design-phase pre-construction services.

Fuqua School of Business Strategy Study:

The Fuqua strategy presentation is scheduled for 2:00pm at the Convention Center on Monday, February 23rd in meeting room 106.

Management Company Status Report:

Occupancy index for January 2009 have increased over prior year, making Shaner the market leader per average daily rates with an average of 121.17% index over that same period. This is a measure of hotel rooms. Information is gathered through a service providing the information.

The function room usage report reveals 30% of rooms being occupied at some point during the day. The percentage is misleading showing a variety of combinations counting the rooms at 100%. The data is achieved through an occupancy rate formula. In light of this, Mr. Cummings suggested adding a second way of showing occupancy. It is a capacity number based on making capacity decisions. Mr. Brezinski made a proposal to investigate whether his method represents the industry standard.

January revenues came in \$24,245 under budget at \$133,855 and \$78,075 more than prior year and revised forecast. Audio Visual came in at \$3,594 more than budget. Food labor and direct expenses continue to be reviewed. There was a \$555.00 credit in Minor Fixed Asset purchases in January. Meeting rooms have increased for the calendar year of 2009 at 568 over 2008.

Jamie Frydlo, director of sales has resigned and his last day of employment with Shaner is Friday, February 27, 2009.

Agenda for next meeting

- Phase II scope of work
 - Schedule
 - Final scope
 - Contract – approval and execution
- Management report
- 2008/09 budget amendment
- Review of Fuqua report